



STATE OF WASHINGTON

## ECONOMIC AND REVENUE FORECAST COUNCIL

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June 11, 2004

**TO:** Senator Lisa Brown, Chair  
Senator Joseph Zarelli  
Representative Jack Cairnes  
Representative Jim McIntire  
Marty Brown, OFM, Director  
Will Rice, DOR, Director

**FROM:** Chang Mook Sohn, Executive Director  
Office of the Forecast Council

**SUBJECT:** June 10, 2004 REVENUE COLLECTION REPORT

General Fund-State collections were strong again this month. Tax receipts totaled \$1,217.5 million in the May 11 - June 10, 2004 period. This was \$41.5 million (3.5 percent) higher than expected. As was the case last month, Revenue Act (retail sales, business & occupation, use and public utility taxes) and real estate excise taxes accounted for nearly all of the positive variance for the month. The higher than expected collections this period increases the cumulative variance since the February 2004 forecast to plus \$84.5 million.

The economy continues to improve. The U.S. economy added 248,000 jobs in May. In addition, the job gains in both March and April were revised upward. The Washington economy is also showing improvement. Initial claims for unemployment insurance fell in May to its lowest level in four years. In addition, the Washington economy likely added jobs in May for the sixth consecutive month. Higher than expected revenue this month is a further confirmation that indeed the economic recovery has taken hold.

Revenue Act receipts were \$22.9 million, 3.5 percent, more than the estimate for the month. Collections this period primarily reflect April business activity of monthly taxpayers. For the second straight month Revenue Act growth was strong. Revenue Act receipts were 7.1 percent above the year-ago level this month after adjusting for new legislation and special factors. Aside from last month's 10.0 percent increase, this was the best monthly gain since January 2001. While last month's double-digit increase is likely unsustainable, an improving economy has led to a modest acceleration in revenue growth. After growing 3.9 percent in the last two quarters of 2003, Revenue Act growth has averaged 5.9 percent the last four months. For the fiscal year-to-date, Revenue Act receipts are now 4.6 percent higher than a year-ago. While the forecast assumed improving growth, the acceleration the last couple of months was a little faster and sooner than expected.

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Preliminary data on tax payments of 9,474 large taxpayers who filed electronically for the current month again show strong growth across-the-board. Tax payments from the retail trade and food services sector were up 7.2 percent while non-retailers reported an 8.9 percent increase. Last month tax payments by retailers were up 10.0 and non-retailers reported a 7.2 percent gain. For the current month all three-digit retail NAICS sectors except food and beverage stores reported an increase in tax payments with four of twelve sectors reporting double-digit gains. The double-digit gains were reported by building materials/garden equipment retailers (+29.1 percent), apparel and accessories stores (+14.8 percent) and gas stations and convenience stores (+13.5 percent). Most non-retailing sectors again reported strong growth. Manufacturers reported a 23.7 percent increase in tax payments this month. Other sectors reporting strong growth in tax payments include the construction sector (+14.0 percent), the wholesales trade sector (+13.6 percent), the education and health services sector (+11.0 percent) and the transportation and warehousing sector (+10.5 percent). As was the case last month there was only one major non-retailing sector that reported a decline in tax payments for the month. Tax payments reported by the finance and insurance sector were 12.8 percent less than a year-ago.

Non-Revenue Act General Fund taxes collected by the Department of Revenue were \$18.2 million above the estimate for the month. Higher real estate excise tax (+\$17.7 million) and estate tax (+\$3.3 million) payments more than offset weaker than expected property, cigarette and other Non-Revenue Act collections. For the four months since the February forecast Non-Revenue Act taxes are now \$47.9 million higher than the forecast, with real estate excise, and estate tax receipts accounting for the majority of the cumulative variance.

Real estate activity (closings in April which reflect tax payments to the state in May) increased a very strong 31.2 percent, the same increase as last month and the strongest growth since October. Real estate activity was expected to slow since the first on the year. However, mortgage rates did not rise as expected and an improving economy has kept the real estate market very strong for now. While both the number and value of transactions have increased in recent months, the majority of the increase recently has been due to higher prices. For the first four months of calendar 2004, the number of real estate transactions has increased 1.6 percent while the value per transaction is up 16.3 percent.

Department of Licensing General Fund-State collections, which primarily reflect various license fees, were \$437,000 above the estimate for the month. Cumulative, Department of Licensing GFS revenue is \$582,000 more than expected.

The attached Table 1 provides a comparison of collections with the February 2004 forecast for the May 11 – June 10, 2004 collection period and cumulatively since the February 2004 forecast. Table II compares revised collections figures to the preliminary numbers reported in last month's collection report.

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Attachments

**TABLE 1**  
**Revenue Collection Report**  
**June 10, 2004 Collections Compared to the February 2004 Forecast**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
<b>May 11 - June 10, 2004</b>				
Department of Revenue-Total	\$1,172,291	\$1,213,401	\$41,110	3.5%
Revenue Act** (1)	648,239	671,182	22,943	3.5%
Non-Revenue Act(2)	524,052	542,219	18,167	3.5%
Liquor Sales/Liter	7,392	8,070	678	9.2%
Cigarette	4,021	4,002	(20)	-0.5%
Property (State School Levy)	442,002	441,500	(501)	-0.1%
Estate	5,597	8,899	3,302	59.0%
Real Estate Excise	40,558	58,293	17,735	43.7%
Timber (state share)	1,648	1,160	(489)	-29.7%
Other	22,833	20,295	(2,538)	-11.1%
Department of Licensing (2)	3,682	4,119	437	11.9%
Lottery (5)	0	0	0	NA
<b>Total General Fund-State***</b>	<b>\$1,175,973</b>	<b>\$1,217,520</b>	<b>\$41,547</b>	<b>3.5%</b>
<b>Cumulative Variance Since the February 2004 Forecast (Feb. 11, 2004 - June 10, 2004)</b>				
Department of Revenue-Total	\$3,436,077	3,522,502	86,425	2.5%
Revenue Act** (3)	2,637,265	2,675,748	38,483	1.5%
Non-Revenue Act(4)	798,812	846,754	47,942	6.0%
Liquor Sales/Liter	28,487	30,476	1,989	7.0%
Cigarette	16,792	16,952	160	1.0%
Property (State School Levy)	523,908	526,458	2,550	0.5%
Estate	31,259	44,090	12,831	41.0%
Real Estate Excise	142,374	173,374	31,000	21.8%
Timber (state share)	3,592.0	3,592.0	(0.0)	-0.0%
Other	52,399	51,811	(588)	-1.1%
Department of Licensing (4)	8,350	8,932	582	7.0%
Lottery (5)	0	0	0	NA
<b>Total General Fund-State***</b>	<b>\$3,444,427</b>	<b>\$3,531,434</b>	<b>\$87,007</b>	<b>2.5%</b>

1 Collections May 11 - June 10, 2004. Collections primarily reflect April 2004 activity of monthly taxpayers.

2 May 1-31, 2004 collections.

3 Cumulative collections, estimates and variance since the February 2004 forecast; (February 11 - June 10, 2004) and revisions to history.

4 Cumulative collections, estimates and variance since the February forecast; (February - May 2004) and revisions to history.

5 Lottery transfers to the General Fund

\* Based on the February 2004 economic and revenue forecast.

\*\*The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

\*\*\* Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

**TABLE 2**  
**May 10, 2004 Collection Report - Revised Data**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
<b>March 11 - April 10, 2004</b>				
Department of Revenue-Total	\$943,679	\$943,679	\$0	0.0%
Revenue Act (1)	795,352	795,352	0	0.0%
Non-Revenue Act(2)	148,327	148,327	(0)	-0.0%
Liquor Sales/Liter	7,805	7,805	0	0.0%
Cigarette	4,053	4,053	0	0.0%
Property (State School Levy)-net	58,365	58,365	(0)	-0.0%
Property tax collections	58,365	58,365	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	13,291	13,291	0	0.0%
Real Estate Excise	49,504	49,504	0	0.0%
Timber (state share)	0	0	0	NA
Other	15,308	15,308	(0)	-0.0%
Department of Licensing (2)	3,394	3,420	26	0.8%
Lottery (2)	0	0	0	NA
Total General Fund-State***	947,073	947,099	\$26	0.0%

**Cumulative Receipts: February 11 - April 10, 2004 & Revisions to History**

Department of Revenue-Total	2,309,161	\$2,309,101	(\$60)	-0.0%
Revenue Act (3)	2,004,635	2,004,566	(69)	-0.0%
Non-Revenue Act(4)	304,526	304,535	9	0.0%
Liquor Sales/Liter	22,406	22,406	0	0.0%
Cigarette	12,951	12,951	(0)	-0.0%
Property (State School Levy)-net after transfer	84,958	84,958	(0)	-0.0%
Property tax collections	84,958	84,958	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	35,191	35,191	(0)	-0.0%
Real Estate Excise	115,081	115,081	0	0.0%
Timber (state share)	2,432	2,432	0	NA
Other	31,507	31,516	9	0.0%
Department of Licensing (4)	4,787	4,828	41	0.9%
Lottery (4)	0	0	0	NA
<b>Total General Fund-State***</b>	<b>\$2,313,949</b>	<b>\$2,313,929</b>	<b>(\$20)</b>	<b>-0.0%</b>

Preliminary. Reported in the May 10, 2004 collection report.

1 Collections March 11 - April 10, 2004. Collections primarily reflect March 2004 business activity of monthly taxpayers and q1, 2004 activity of quarterly filers.

2 April 1-30, 2004 collections.

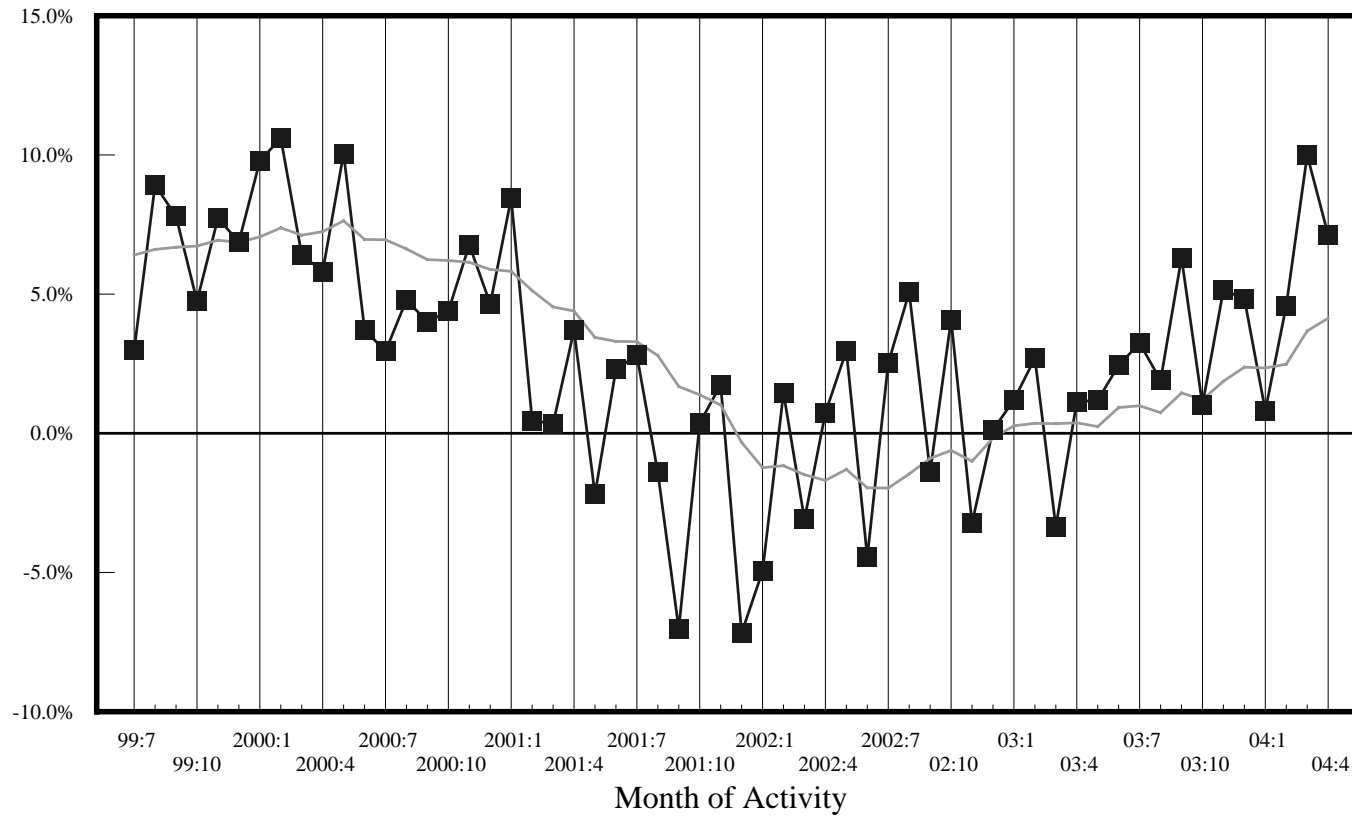
3 Cumulative receipts since the February 2004 forecast: February 11- May 10,2004 & revisions to history.

4 Cumulative receipts since the February 2004 forecast (February - April ) & revisions to history.

\* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

# Revenue Act Net Collections\*

Year-over-Year Percent Change



■ %CH from year-ago month

— %change: 12 month moving average

\*Adjusted for special factors & new legislation